

Bilag

Morgan Stanley

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Board of Directors  
Codan A/S  
Gammel Kongevej 60  
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23 May 2007

#### Members of the Board

We understand that R&SA Overseas Holdings B.V. (the "Offeror"), a wholly-owned subsidiary of the UK financial group Royal & Sun Alliance Insurance Group plc ("RSA" or the "Buyer"), intends to launch a tender offer (the "Tender Offer") for all of the outstanding issued shares of Codan A/S ("Codan" or the "Company"), not already held by RSA, for a total cash consideration of DKK 605 for each Codan share (with nominal value of DKK 20 each) (the "Consideration"). The terms and conditions of the Tender Offer are more fully set forth in the final form offer document of the Tender Offer (the "Offer Document").

You have asked for our opinion as to whether the Consideration to be received by the holders of shares in Codan is fair from a financial point of view to such holders other than the Buyer and its affiliates.

For purposes of the opinion set forth herein, we have:

- i) reviewed certain publicly available financial statements and other information of the Company and the Buyer, respectively;
- ii) reviewed certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company;
- iii) reviewed information relating to certain strategic, financial and operational benefits anticipated from the Tender Offer, prepared by the management of the Company;
- iv) reviewed certain financial projections prepared by the management of the Company;
- v) discussed the past and current operations and financial condition and the prospects of the Company, including information relating to certain strategic, financial and operational benefits anticipated from the Tender Offer, with senior executives of the Company;
- vi) reviewed the reported prices and trading activity for the Company shares;
- vii) compared the financial performance of the Company and the prices and trading activity of the Company shares with that of certain other comparable publicly-traded companies and their securities;
- viii) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;



- ix) participated in discussions and negotiations among representatives of the Company, the Buyer and their financial and legal advisors;
- x) reviewed the press release to be issued by the Company in relation to the Tender Offer and certain related documents;
- xi) reviewed independent appraisal materials of Codan's reserves prepared by PWC as of December 2006;
- xii) reviewed the Offer Document, to be issued by the Buyer in connection with the Tender Offer; and
- xiii) performed such other analyses as we have deemed appropriate.

We have assumed and relied upon, without independent verification, the accuracy and completeness of the information supplied or otherwise made available to us by the Company for the purposes of this opinion as well as certain publicly available information. With respect to the financial projections, including information relating to certain strategic, financial, synergy and operational benefits anticipated from the Tender Offer, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of the Company. In addition, we have assumed that the Tender Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions. Morgan Stanley has assumed the receipt of all the necessary governmental, regulatory or other approvals and consents required for the completion of the Tender Offer, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the proposed transaction.

We are not legal, tax, regulatory or actuarial advisors and have relied upon, without independent verification, the assessment of the Company and its legal, tax, regulatory or actuarial advisors with respect to legal, tax, regulatory or actuarial matters. We have not made any independent valuation or appraisal of the assets or liabilities of the Company, nor have we been furnished with any such appraisals. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof, may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion.

In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction, involving the Company, nor did we negotiate with any party, other than the Buyer.

We have acted as financial advisor to the Board of Directors of Codan in connection with this transaction and will receive a fee for our services, a significant portion of which is contingent upon the closing of the Tender Offer. In the past, we have provided financial advisory and financing services for the Buyer and the Company and have received fees in connection with such services. Morgan Stanley may also seek to provide such services to the Company and the Buyer in the future and will receive fees for the rendering of these services. In the ordinary course of our trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for our own account or the accounts of customers, in debt or equity securities or senior loans of Codan and RSA.

It is understood that this letter is for the information of the Directors of Codan only and may not be referred to, communicated, disseminated, quoted, reproduced or disclosed in any manner or for any other purpose in whole or in part without our prior written consent. This letter is not addressed to and may not be relied upon by any third party including, without limitation, employees, creditors or shareholders of Codan. This letter does not address the merits of the underlying rationale for the Tender Offer and in addition, is not intended to be and does not constitute a recommendation to any shareholder of Codan as to whether such holder should tender Codan shares in the Tender Offer. This opinion does not in any manner address the prices at which the RSA's shares will trade following consummation of the Tender Offer.

Based on and subject to the foregoing, we are of the opinion on the date hereof that the Consideration to be received by the holders of shares in Codan is fair from a financial point of view to the holders of shares in Codan other than the Buyer and its affiliates.

Very truly yours,



MORGAN STANLEY & CO. LIMITED

By: 

Jakob M. Lindquist

*Managing Director*